LSU | ALUMNI ASSOCIATION

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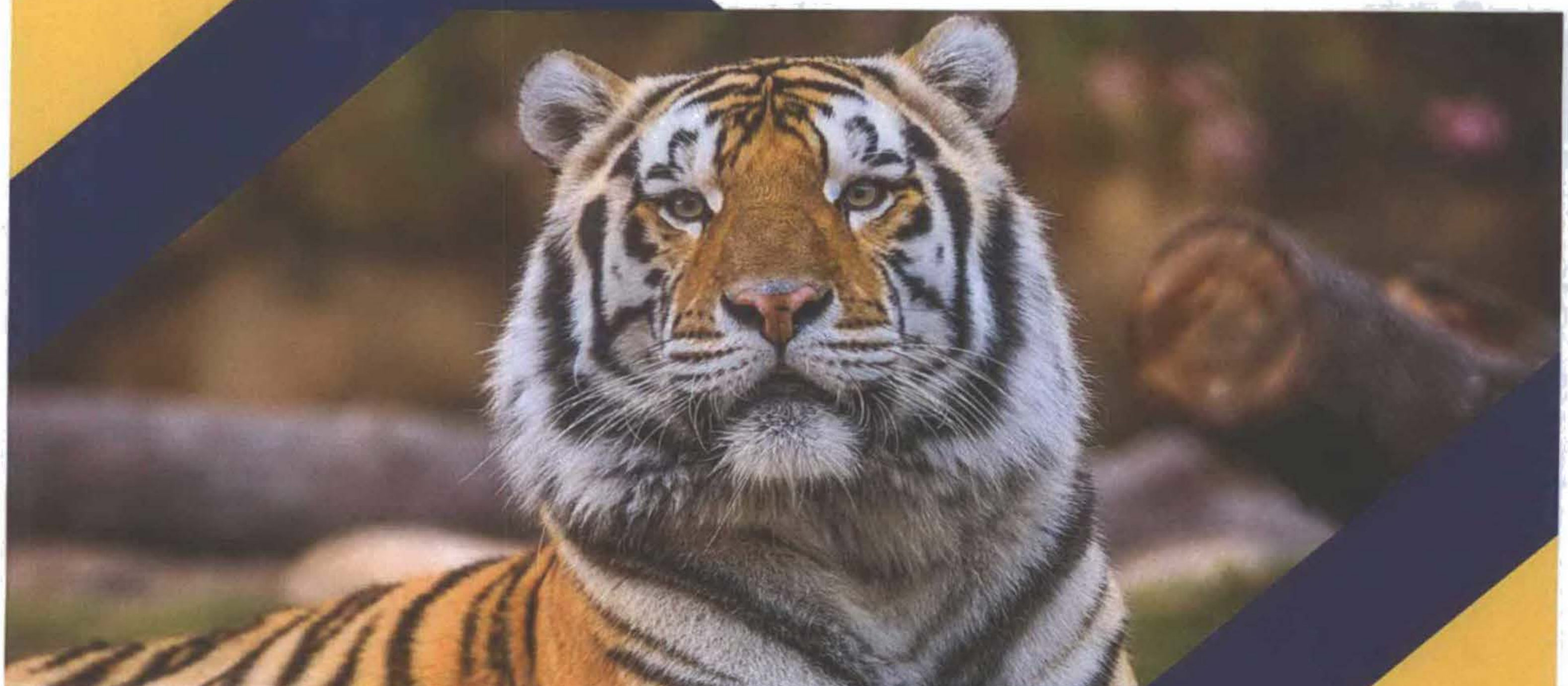

2018

CONSOLIDATED FINANCIAL STATEMENTS

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8/11/2019

LSU ALUMNI ASSOCIATION AND SUBSIDIARY
Baton Rouge, Louisiana

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018

LSU | ALUMNI
ASSOCIATION

LSU ALUMNI ASSOCIATION AND SUBSIDIARY
Baton Rouge, Louisiana

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December 31, 2018

FAULK & WINKLER LLC
Certified Public Accountants • Business Advisors

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
LSU Alumni Association
Baton Rouge, Louisiana

We have audited the accompanying consolidated financial statements of the **LSU ALUMNI ASSOCIATION AND SUBSIDIARY** (collectively referred to as the "Association") (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Association's preparation and fair presentation of the consolidated financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the **LSU ALUMNI ASSOCIATION AND SUBSIDIARY** as of December 31, 2018, and the changes in net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Notes 1 and 18 to the financial statements, the Association has adopted Financial Accounting Standards Board's Accounting Standards Update No. 2016-14 - *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entiti*es (ASU 2016-14). Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Consolidating Schedule of Activities on page 22 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Association's 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 5, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Faulk & Winkler, LLC

Certified Public Accountants

Baton Rouge, Louisiana
June 24, 2019

LSU ALUMNI ASSOCIATION AND SUBSIDIARY

Baton Rouge, Louisiana

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2018
(with comparative amounts for 2017)

ASSETS

	2018	2017
CURRENT		
Cash	$ 803,663	$ 1,101,272
Accounts receivable, net	712,511	307,819
Inventory, net	89,909	116,037
Pledges receivable, net	307,131	300,036
Prepaid expenses	227,022	209,459
Total current assets	2,140,236	2,034,623
INVESTMENTS	20,691,263	22,099,622
LONG-TERM PLEDGES RECEIVABLE, net	555,095	441,407
PROPERTY AND EQUIPMENT, net	14,345,922	15,121,136
DEFERRED INCOME TAXES, net	389,000	346,000
OTHER ASSETS	10,318	10,318
Total assets	$ 38,131,834	$ 40,053,106

LIABILITIES AND NET ASSETS

	2018	2017
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 538,143	$ 605,840
Deferred revenue	209,532	166,740
Deferred royalty	138,400	153,400
Current portion of note payable	291,210	284,500
Total current liabilities	1,177,285	1,210,480
NOTE PAYABLE, less current portion	2,465,971	2,639,828
ACCRUED VACATION PAYABLE	210,991	223,054
Total liabilities	3,854,247	4,073,362
NET ASSETS		
Without donor restriction	13,882,979	13,842,658
With donor restriction	20,394,608	22,137,086
Total net assets	34,277,587	35,979,744
Total liabilities and net assets	$ 38,131,834	$ 40,053,106

The accompanying notes to consolidated financial statements
are an integral part of this statement.

LSU ALUMNI ASSOCIATION AND SUBSIDIARY

Baton Rouge, Louisiana

CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended December 31, 2018
(with summarized comparative totals for 2017)

	2018			
	Without Donor Restrictions	With Donor Restrictions	Totals	2017 Totals
REVENUE AND SUPPORT				
Donations	$ 2,269,980	$ 509,152	$ 2,779,132	$ 2,882,291
Earned:				
Hotel	3,154,096	-	3,154,096	2,806,319
Merchandise, sales, and trip	1,014,678	-	1,014,678	1,245,041
Rental and catering	695,462	-	695,462	726,422
Investment, net of fees	(273,714)	(938,100)	(1,211,814)	3,343,335
Royalties	427,623	-	427,623	530,382
Other	291,896	-	291,896	202,856
Total revenue and support	7,580,021	(428,948)	7,151,073	11,736,646
NET ASSETS RELEASED FROM RESTRICTIONS:				
Appropriations from donor endowments	1,313,530	(1,313,530)	-	-
Total revenue, support, and net assets released from restrictions	8,893,551	(1,742,478)	7,151,073	11,736,646
EXPENSES				
Program:				
Alumni	2,885,630	-	2,885,630	3,337,398
The Cook Hotel	3,837,527	-	3,837,527	3,533,579
Fundraising	1,473,425	-	1,473,425	1,396,562
General and administrative	1,923,455	-	1,923,455	2,091,251
Total expenses	10,120,037	-	10,120,037	10,358,790
Change in net assets, before other and income taxes	(1,226,486)	(1,742,478)	(2,968,964)	1,377,856
OTHER INCOME (EXPENSE)				
Settlement income	1,660,373	-	1,660,373	-
Settlement fees	(436,566)	-	(436,566)	-
Total other income, net	1,223,807	-	1,223,807	-
PROVISION FOR INCOME TAXES				
Deferred tax benefit	43,000	-	43,000	111,000
Change in net assets	40,321	(1,742,478)	(1,702,157)	1,488,856
NET ASSETS				
Beginning of year	13,842,658	22,137,086	35,979,744	34,490,888
End of year	$ 13,882,979	$ 20,394,608	$ 34,277,587	$ 35,979,744

The accompanying notes to consolidated financial statements are an integral part of this statement.

LSU ALUMNI ASSOCIATION AND SUBSIDIARY

Baton Rouge, Louisiana

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2018
(with summarized comparative totals for 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (1,702,157)	$ 1,488,856
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,034,997	811,157
Increase in allowance for pledges and interest receivable	386,110	1,322,822
Income tax provision	(43,000)	(111,000)
Realized gain on investments, net	(814,066)	(71,638)
Unrealized loss (gain) on investments, net	2,837,671	(2,574,839)
Increase in accrued interest receivable, gross	(341,757)	(352,819)
Contributions with donor restrictions for endowment	(509,152)	(629,097)
Change in operating assets and liabilities:		
Net change in gross pledges receivable	(165,136)	(330,588)
Net change in other operating assets	(396,127)	(271,177)
Net change in operating liabilities	(51,968)	(529,651)
Net cash provided (used) by operating activities	235,415	(1,247,974)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(4,906,136)	(2,002,433)
Proceeds from sale of investments	4,290,890	1,525,446
Acquisition of property and equipment	(259,783)	(2,185,668)
Net cash used by investing activities	(875,029)	(2,662,655)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions with donor restrictions into endowment	509,152	629,097
Proceeds from note payable	114,567	2,929,451
Payments on note payable	(281,714)	(24,160)
Net cash provided by financing activities	342,005	3,534,388
Net decrease in cash and cash equivalents	(297,609)	(376,241)
CASH AND CASH EQUIVALENTS		
Beginning of year	1,101,272	1,477,513
End of year	$ 803,663	$ 1,101,272

The accompanying notes to consolidated financial statements are an integral part of this statement.

LSU ALUMNI ASSOCIATION AND SUBSIDIARY

Baton Rouge, Louisiana

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2018
(with summarized comparative totals for 2017)

	Program				General and	Total	
	Alumni	The Cook Hotel	Total Program	Fundraising	Administrative	2018	2017
EXPENSES							
Salaries and wages	$ 1,324,661	$ 892,968	$ 2,217,629	$ 236,272	$ 256,544	$ 2,710,445	$ 2,728,632
Payroll taxes and benefits	232,947	145,938	378,885	41,549	45,114	465,549	464,959
Depreciation	-	392,497	392,497	-	642,500	1,034,997	811,157
Scholarships and professorships	922,241	-	922,241	-	-	922,241	982,685
Special events and ticket purchases	-	84,525	84,525	528,667	-	613,192	605,741
Travel and sports trips	-	366,646	366,646	120,960	-	487,606	756,770
Professional and contracted services	-	151,481	151,481	-	324,373	475,854	450,295
Utilities	-	203,316	203,316	-	200,814	404,130	431,090
Bad debt	386,110	-	386,110	-	-	386,110	902,822
Hotel operations	-	377,686	377,686	-	-	377,686	332,839
Catering	-	244,297	244,297	105,728	-	350,025	253,570
Repairs and maintenance	-	128,364	128,364	-	195,103	323,467	284,257
Fees	-	145,436	145,436	-	1,988	147,424	151,301
Cost of merchandise sold	-	204,116	204,116	-	-	204,116	190,054
Supplies	-	136,605	136,605	-	42,296	178,901	148,726
Insurance	-	67,392	67,392	-	89,654	157,046	148,758
Printing	-	5,725	5,725	152,169	-	157,894	134,562
Promotional supplies	-	8,333	8,333	92,821	-	101,154	70,400
Interest		93,442	93,442			93,442	58,729
Telephone	19,671	47,713	67,384	3,509	3,810	74,702	71,878
Postage	-	8,178	8,178	54,056	-	62,234	55,879
Official functions and entertainment	-	3,884	3,884	58,435	-	62,319	12,457
Taxes	-	59,496	59,496	-	1,235	60,731	18,055
Operating leases	-	20,432	20,432	-	39,783	60,215	81,371
Advertising	-	36,005	36,005	30,469	-	66,474	33,788
Dues and subscriptions	-	13,052	13,052	-	22,436	35,488	32,628
Other support	-	-	-	25,408	-	25,408	73,048
Donor recognition	-	-	-	23,382	-	23,382	25,445
Other support	-	-	-	-	57,805	57,805	46,894
Total expenses	$ 2,885,630	$ 3,837,527	$ 6,723,157	$ 1,473,425	$ 1,923,455	$ 10,120,037	$ 10,358,790

The accompanying notes to consolidated financial statements are an integral part of this statement.

LSU ALUMNI ASSOCIATION AND SUBSIDIARY

Baton Rouge, Louisiana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and operations

The LSU Alumni Association is a non-profit corporation organized to foster, protect, and promote the welfare of Louisiana State University and Agricultural and Mechanical College (the University) and to maintain a mutually beneficial relationship between the University and its alumni. The majority of the Association's revenues are derived from contributions made by individual alumni and various organizations, as well as revenues earned through the Alumni Center and Hotel. The Lod and Carole Cook Conference Center and Hotel, LLC (the Hotel), is a wholly-owned subsidiary that operates the for-profit activities of the Association. The Alumni Center and Hotel are located on land owned by the University.

Basis of presentation and consolidation

The consolidated financial statements of the Association have been prepared on the accrual basis of accounting. All intercompany transactions and balances have been eliminated. The significant accounting policies are described below to enhance the usefulness of the consolidated financial statements. The Association reports information regarding financial position and activities according to the two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's consolidated financial statements for 2017, from which the summarized information was derived. See Note 18 for more information regarding the re-classification of 2017 financial statement amounts.

New accounting pronouncement

During the year ended December 31, 2018, the Association adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14 - *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). This Update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New accounting pronouncement (continued)

Additionally, the Association is now required to present a Statement of Functional Expenses as part of its basic financial statements which has been included as Exhibit D. Other requirements include the netting of investment fees with investment earnings in the Statement of Activities and the requirement to present information regarding the Association's liquidity (see Note 16).

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates. Estimates are used primarily when accounting for the valuation of receivables (allowances and discount to present value), inventory, depreciation, deferred revenue, and deferred income taxes.

Revenue recognition

Contributions are recognized when the donor makes a promise to give to the Association that is, in substance, unconditional or when cash is received. Unconditional contributions with donor restrictions are reported as increases in net assets with donor restrictions and are internally tracked as temporarily or permanently restricted, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are released to net assets without donor restrictions. Contributions to certain endowment funds are restricted by the donor to be maintained in perpetuity and the related income earned is classified and expended according to the donor's stipulations.

Pledges receivable are recognized as revenue in the period received. Pledges receivable are recorded at net realizable value if they are expected to be collected in one year and at fair value if they are expected to be collected in more than one year. Conditional pledges are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Revenues from exchange transactions primarily consist of hotel room sales, sports trips, facility rentals, and merchandise sales. Payments are sometimes received in advance of providing the service and are reported as deferred revenue. Revenue is recognized when the services are provided to the customer.

Cash and cash equivalents

For purposes of the statement of cash flows, the Association considers all demand deposits and money market accounts to be cash and cash equivalents, except that cash and cash equivalents that are restricted by donors are included with restricted or endowed investments.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges receivable

Pledges receivable are recorded net of an allowance for doubtful pledges that is based on management's estimate of collectability. The Association records contributions received as support with or without donor restrictions, depending on the existence and nature of any donor restrictions.

Accounts receivable

Accounts receivable are recorded at cost, net of an allowance for doubtful accounts. A general allowance for doubtful accounts is based on management's estimate of the collectability of accounts receivable according to prior experience. Management considers accounts receivable delinquent based on contractual terms. The Association does not require collateral for its receivables. Accounts receivable outstanding more than 90 days totaled \$24,128 at December 31, 2018. See Note 4.

Inventory

Inventory consists of merchandise for resale and is recorded at cost, net of an allowance for obsolescence. The Association uses the First-In-First-Out (FIFO) method to account for its inventory.

Investment valuation and income recognition

The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements*, establishes a framework for measuring fair value which provides a fair value hierarchy that prioritizes the sources of pricing information (inputs) to valuation techniques used to measure fair value. The highest priority is given to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2 – Inputs include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment valuation and income recognition (continued)

Level 3 – Inputs that are unobservable and significant to the fair value measurement.

Investments in equity securities and shares of mutual funds with readily determinable fair values and all investments in debt securities are recorded at fair value based on quoted market prices. Investments in non-exchange traded debt and equity instruments are valued using independent pricing services or by broker-dealers who actively make markets in these securities.

Investments in hedge funds are managed by external advisors and are reported at fair value utilizing the most current information provided by the fund manager through such methods mentioned in the following paragraph.

Unrealized gains and losses are recorded in current year operations as increases or decreases in net assets. Dividends, interest, and other investment income are recorded as an increase in net assets. Additionally, as a result of ASU 2016-14, investment fees are netted with investment earnings in the Statement of Activities. See Note 2.

Donated investments are recorded at market value at the date of receipt, which is then treated as cost. The Association typically converts donated investments to cash as soon as possible upon receipt with the proceeds deposited into the Association's investment accounts. Realized gains and losses on dispositions are based on the net proceeds and the adjusted cost basis of the securities sold, using the specific identification cost method. These realized gains and losses are recognized in current year operations as increases or decreases in net assets.

Fair value of financial instruments

The carrying value of cash, receivables, prepaid expenses, accounts payable, accrued expenses, and deferred revenue approximate fair value due to the short-term maturity of these instruments. The carrying value of short and long-term debt approximates fair value based on the current rated offered for debt of comparable maturities and collateral requirements. Financial instruments are not held for trading purposes.

Property and equipment

Property and equipment are carried at cost. Additions and improvements that extend the useful lives of assets are capitalized. Maintenance and repair expenditures are expensed as incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the property and equipment, ranging from three to thirty-nine years.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment (continued)

The Association does not capitalize its collection at the Andonie Museum, which is located on the LSU campus. The collection consists of historical objects related to LSU sports history which have been estimated to have a market value of approximately $650,000 at the date of acquisition. There were no significant changes to the collection during 2018.

Income taxes and unrelated business income

The Association is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code for the majority of the Association's revenues; however, the Association's subsidiary, the Hotel, is a for-profit corporation for income tax purposes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax basis.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income during the period that includes the enactment date.

Deferred revenues

Funds that are received for prepayment of lodging and sports trips, or deposits for events scheduled in the subsequent year, are recorded as deferred revenues until they are earned.

Advertising

During 2018, the Association expensed $66,474 in advertising costs as incurred.

Reclassifications

Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 financial statement presentation.

Subsequent events

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through June 24, 2019, which was the date the financial statements were available to be issued.

NOTE 2 - INVESTMENTS

Investments, at December 31, 2018, consisted of the following:

	Amount	
	Cost	Market
Equities	$ 9,295,459	$ 12,448,973
Fixed income	3,236,908	3,345,459
Hedge funds	3,411,048	2,778,976
Money market funds	1,525,093	1,323,254
Mutual funds	782,660	794,601
Total	$ 18,251,168	$ 20,691,263

The investment return for 2018 is as follows:

	Amount
Unrealized losses, net	$ (2,837,671)
Interest and dividends	811,791
Realized gains, net	910,257
Investment fees	(96,191)
Total	$ (1,211,814)

As December 31, 2018, the fair value hierarchy of the Association's investments was as follows:

	Amount			
	Level 1	Level 2	Level 3	Total
Equities	$ 12,448,973	$ -	$ -	$ 12,448,973
Fixed income	-	3,345,459	-	3,345,459
Hedge funds	-	-	2,778,976	2,778,976
Money market funds	1,323,254	-	-	1,323,254
Mutual funds	794,601	-	-	794,601
Total	$ 14,566,828	$ 3,345,459	$ 2,778,976	$ 20,691,263

(Continued)

NOTE 2 - INVESTMENTS (CONTINUED)

The change in fair value in Level 3 investments as measured at fair value on a recurring basis for 2018 is as follows:

	Hedge Funds
Beginning of year	$ 1,611,570
Additions	1,500,000
Interest and dividends	66,404
Realized gain	152,192
Unrealized loss, net	(551,190)
End of year	$ 2,778,976

NOTE 3 - ACCOUNTS RECEIVABLE

At December 31, 2018, accounts receivable are as follows:

	Amount
Legal settlement	$ 434,304
LSU Foundation	223,354
Room rental, occupancy, and other	44,118
Catering and events	40,559
Accounts receivable, gross	742,335
Less: Allowance for uncollectible accounts	(29,824)
Accounts receivable, net	$ 712,511

NOTE 4 - PLEDGES RECEIVABLE

Unconditional pledges receivable at December 31, 2018, are as follows:

	Amount
Current pledges receivable, gross	$ 473,675
Long-term pledges receivable, gross	586,188
Total pledges receivable	1,059,863
Less: Allowance for uncollectible pledges	(166,544)
Discount to present value for long-term pledges	(31,093)
Pledges receivable, net	$ 862,226

NOTE 5 - NOTE RECEIVABLE

The Association has invested in a Company that has developed a medical device to provide alternative treatment to prescribed medication for various disorders. The Board Chairman of the Company is an ex-officio board member of the Association.

The Association has an unsecured 12% convertible promissory note receivable of $2,847,972 as of December 31, 2018, with $427,196 in accrued interest. The principal balance and accrued interest became due on April 1, 2019 and payment was never received. The Association and the Company are finalizing a note renewal that will convert the current accrued interest into principal, maintain similar terms, and mature June 1, 2021.

At March 31, 2018, the Company's unaudited financial statements reported cash of $84,000, assets of $850,000, and a stockholders' deficit of $35,567,000. The Company is currently seeking approval from United States drug regulators for domestic sales of its product while selling its product in other countries, and pursuing options to secure additional financing resources.

The outcome of the events described above are uncertain at this time. While management of the Association will continue to monitor the operations of the Company, a loss provision has been recorded for the note principal ($2,847,972) and the related interest due ($427,196).

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment, and related service lives at December 31, 2018 were as follows:

Description	Service Life	Amount
Buildings and improvements	15 - 39 years	$ 23,302,410
Furniture and equipment	5 - 10 years	5,371,400
Automobiles	5 years	79,720
Software	3 years	80,730
		28,834,260
Less: accumulated depreciation		(14,488,338)
Property and equipment, net		$ 14,345,922

Depreciation expense was $1,034,997 for 2018.

NOTE 7 - NOTE PAYABLE

In 2016, the Hotel (Association) entered into a bank loan to fund renovations. The loan functioned as a line of credit with a limit of $3,200,000 for contractor costs. The Association has the ability to draw $442,800 on the loan as of December 31, 2018 but does not anticipate drawing additional funds. The outstanding portion of the loan was converted to a note payable collateralized by the property of the Hotel. The note requires monthly payments of $31,263 at 3.2% interest and matures in November 2027.

NOTE 7 - NOTE PAYABLE (CONTINUED)

Future maturities under note payable as of December 31, 2018, are as follows:

Year ended December 31,		Amount
2019	$	291,210
2020		300,666
2021		310,430
2022		320,511
2023		330,919
2024-2027		1,203,445
Total	$	2,757,181

NOTE 8 - DEFERRED ROYALTY

The Association has a royalty agreement with a third-party for the use of the Association's logo on credit cards and access to alumni member lists. Under the terms of the agreement, the Association will receive $1,075,000 in royalty guarantee payments from July 1, 2016 to June 30, 2021. Earned royalties are applied against the advances, and the Association receives an additional amount for royalties earned in excess of the guarantee. Effective July 1, 2021, the Association will receive royalties based on earned amounts through June 30, 2023. The Association earned royalties of $218,100 in 2018 related to this agreement.

NOTE 9 - PROVISION FOR INCOME TAXES

The provision for income taxes consisted of a deferred income tax benefit of $43,000 for 2018, and the tax effects of temporary differences at December 31, 2018 are as follows:

Noncurrent deferred tax asset		Amount
Net operating loss carryforward	$	519,000
Depreciation		(130,000)
	$	389,000

At December 31, 2018, the Hotel had a net operating loss carry-forward of approximately $2,469,000 available through 2031. This amount is reflective of the Hotel's effective tax rate of 21% for 2018. Management anticipates utilizing the net operating loss carryforwards prior to their expiration.

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes at December 31, 2018:

	Amount
Amounts to be held in perpetuity	
Endowed scholarships and professorships	$ 19,503,710
Corpus of investments not held in endowment	402,813
Endowment pledges receivable	170,747
Total to be held in perpetuity	20,077,270
Amounts restricted for future periods	
Scholarships and professorships for future periods	317,338
Total net assets with donor restrictions	$ 20,394,608

NOTE 11 - ENDOWMENT

The Association's investment policy for donor-restricted endowments stipulates that the primary investment objective of the Association's endowment is to earn an average annual real return of at least 5% per year over the long term, net of costs. Attainment of this objective will enable the Association to maintain the purchasing power of endowment assets in perpetuity and meet its spending policy. The primary objective of the Association's asset allocation policy is to provide a strategic mix of asset classes that produce a high expected investment return within a prudent risk framework.

The endowment activity during 2018 was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 1,715,879	$ 21,733,514	$ 23,449,393
Interest and dividends	35,233	377,520	412,753
Unrealized gains	(214,084)	(2,623,587)	(2,837,671)
Realized gains, net	43,651	745,392	789,043
Contributions	1,012,025	508,601	1,520,626
Net assets released from restrictions			
Appropriations from donor endowments	(511,013)	(1,217,765)	(1,728,778)
Endowment net assets, end of year	$ 2,081,691	$ 19,523,675	$ 21,605,366

NOTE 11 - ENDOWMENT (CONTINUED)

Endowment without donor restrictions

Endowment net assets without donor restrictions are comprised of funds designated by the Board of Directors for operating purposes, including maintenance on buildings. Additionally, from time to time, the fair value of the assets associated with individual donor-restricted endowment funds may decline in value below the level that the donor requires the Association to retain as a fund of perpetual duration.

Endowment with donor restrictions

Endowment with donor restrictions as of December 31, 2018, were as follows:

With donor restrictions	Amount
Unendowed scholarships and professorships	$ 1,549,239
Endowed scholarships and professorships	17,974,436
	$ 19,523,675

The Association classifies as donor restricted net assets that are perpetual in nature (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. The portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association.

At December 31, 2018, the Association had $19,523,675 in the endowment with donor restrictions available for professorships and scholarships.

The Association has a policy of appropriating 5% of the endowment fund's market value for professorships and scholarships. Upon payment of professorships and scholarships, donor purpose restrictions are satisfied and endowments with donor restrictions are released from restrictions and reclassified as an increase in endowments without donor restrictions.

Investment objectives

The investment objective is to maintain the purchasing power of the endowment assets over the long-term while meeting current obligations. In addition, the investment program is expected to exceed a composite benchmark index comprised of market indices weighted in proportion to an asset allocation policy. Adequate liquidity shall be maintained to provide annual distributions of professorships, scholarships, and building and operating expenses.

To satisfy the long-term rate-of-return objectives, the Association relies on a return strategy in which investment returns are achieved through market appreciation (realized and unrealized), and interest and dividends. The Association uses a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

NOTE 11 - ENDOWMENT (CONTINUED)

"Underwater" Endowments

From time to time, the fair value of assets associated with donor restricted endowment funds may fall below the level that donors require the Organization to retain as a fund of perpetual duration. Deficiencies of this nature sometimes occur due to market volatility and currently exist in some individual endowment funds and result in the accumulated deficit shown below. These deficiencies primarily result from market value losses of approximately $1.6 million during 2018. However, the Association maintains additional unrestricted funds within the endowment totaling $2,081,691.

		With donor restrictions			
	Without donor restrictions	Original gift amount	Accumulated gains (losses) and other	Total with donor restrictions	Total endowment
Endowed scholarships	$ -	$ 19,503,710	$ (1,529,274)	$ 17,974,436	$ 17,974,436
Unendowed scholarships	-	2,143,397	(594,158)	1,549,239	1,549,239
Without restriction	2,081,691	-	-	-	2,081,691
Total	$ 2,081,691	$ 21,647,107	$ (2,123,432)	$ 19,523,675	$ 21,605,366

NOTE 12 - RENT & LEASE EXPENSE

Rent and lease expense incurred was $60,215 for 2018. These rentals and leases are short term and cancelable by either party. The Association has also entered into a 99-year land lease with the University which expires December 31, 2092. The annual rent expense associated with this lease is nominal.

NOTE 13 - DONATED SERVICES

A substantial number of unpaid volunteers have made a significant contribution of their time to develop the Association's programs, principally in fund raising activities, operations, and board participation. The value of this donated time is not reflected in these statements since the services do not meet the criteria for recognition under generally accepted accounting principles.

NOTE 14 - RETIREMENT PLAN

The Association has a 401(k) retirement plan covering substantially all eligible employees. Employees are 100% vested in their contributions as well as discretionary Association matching and profit sharing contributions. Employees may contribute up to 25% of their compensation limited to $18,500 annually. The Association contributed $96,400 to the plan during 2018.

NOTE 15 - CONCENTRATION OF CREDIT RISK

Financial instruments which subject the Association to concentrations of credit risk consist primarily of investments in long-term corporate and governmental fixed income instruments. Management periodically evaluates the Association's credit risk associated with its investments, which are not collateralized. Future changes in market value may make such investments less valuable. The Association typically maintains cash and cash equivalents, and temporary investments in local banks that may, at times, exceed the FDIC limits. Management believes this risk is limited.

NOTE 16 - RELATED PARTIES

During 2018, the Association paid $604,887 to the University and agencies of the University for reimbursement for personnel, various services, and supplies. As of December 31, 2018, the Association owed the University $159,305.

The Association had funds invested with the LSU Foundation totaling approximately $223,354 at December 31, 2018.

The Association earned $741,513 of hotel revenue from various departments of the University and had $9,326 of related receivables at year end.

The Association received $840,000 in rental income, and $180,000 in management fees from the Hotel. However, rent and management fee transactions have been eliminated in the consolidated financial statements.

NOTE 17 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Association's working capital and cash flows have seasonal variations during the year attributable to the annual cash receipts on pledges and scholarships funded in the fourth quarter of the fiscal year and a concentration of contributions received near year end.

The Association's financial assets available within one year of the balance sheet date for general expenditure are as follows.

Financial assets:	Amount
Cash	$ 803,663
Accounts receivable, net	712,511
Inventory, net	89,909
Current portion of pledges receivable, net	307,131
Unrestricted investments	525,143
Unrestricted funds held in endowment	2,099,161
Financial assets available within one year, at year-end	$ 4,537,518

NOTE 18 - RESTATEMENT OF PRIOR YEAR NET ASSETS

As discussed in Note 1, the Association implemented ASU 2016-14 during 2018 and, as a result, was required to restate net asset classifications for December 31, 2017. Net assets previously reported as permanently or temporarily restricted are now reported as "net assets with donor restrictions", and net assets previously reported as unrestricted are now reported as "net assets without donor restrictions." The adoption of this standard had no effect on the Association's overall net assets balance at December 31, 2017. Additionally, an adjustment was made during 2018 to properly reflect the removal of endowed pledges from net assets with donor restrictions for amounts written off in previous years. This re-classification increased net assets without donor restrictions by $207,530, decreased net assets with donor restrictions by the corresponding amount, and had no effect on the Association's total net assets at December 31, 2017.

SUPPLEMENTARY INFORMATION

LSU ALUMNI ASSOCIATION AND SUBSIDIARY

Baton Rouge, Louisiana

CONSOLIDATING SCHEDULE OF ACTIVITIES

For the year ended December 31, 2018
(with summarized comparative totals for 2017)

	Alumni Association	Scholarship Fund	The Cook Hotel	Total 2018	Total 2017
Revenue and support:					
Donations	$ 2,340,793	$ 438,339	$ -	$ 2,779,132	$ 2,882,291
Earned:					
Hotel	-	-	3,154,096	3,154,096	2,806,319
Merchandise, sales, and trips	238,544	-	776,134	1,014,678	1,245,041
Rental and catering	522,435	-	173,027	695,462	726,422
Investments:					
Dividend and interest	29,139	779,661	2,991	811,791	804,479
Unrealized gain (loss)	(2,837,671)	-	-	(2,837,671)	2,574,839
Realized gain (loss)	-	814,066	-	814,066	71,638
Other:					
Royalties	427,623	-	-	427,623	530,382
Advertising sales	-	-	57,940	57,940	71,341
On campus events	102,080	-	-	102,080	74,557
Golf tournament	11,780	-	-	11,780	12,400
Miscellaneous	100,285	-	19,811	120,096	44,558
Total revenue and support	935,008	2,032,066	4,183,999	7,151,073	11,844,267
Expenses:					
Personnel:					
Salaries	1,817,477	-	892,968	2,710,445	2,728,632
Staff benefits	319,611	-	145,938	465,549	485,533
Total personnel	2,137,088	-	1,038,906	3,175,994	3,214,165
Occupancy:					
Depreciation	642,500	-	392,497	1,034,997	811,157
Utilities	200,814	-	203,316	404,130	435,045
Professional and contracted services	324,373	-	151,481	475,854	454,684
Repairs and maintenance	195,103	-	128,364	323,467	257,883
Hotel operations	-	-	377,686	377,686	338,350
Taxes	1,235	-	59,496	60,731	18,055
Supplies	42,296	-	136,605	178,901	152,631
Operating leases	39,783	-	20,432	60,215	81,371
Other	57,805	-	-	57,805	46,894
Total occupancy	1,503,909	-	1,469,877	2,973,786	2,596,070
Promotional:					
Scholarships and professorships	-	922,241	-	922,241	982,685
Travel and sports trips	120,960	-	366,646	487,606	879,741
Special events ticket purchases	528,667	-	84,525	613,192	575,141
Cost of merchandise sold	-	-	204,116	204,116	220,654
Printing	152,169	-	5,725	157,894	119,186
Postage	54,056	-	8,178	62,234	71,255
Official functions and entertainment	58,435	-	3,884	62,319	11,881
Catering	105,728	-	244,297	350,025	109,266
Other support	25,408	-	-	25,408	73,048
Promotional supplies	92,821	-	8,333	101,154	65,610
Advertising	30,469	-	36,005	66,474	30,647
Donor recognition	23,382	-	-	23,382	25,445
Total promotional	1,192,095	922,241	961,709	3,076,045	3,164,559
General and Administrative:					
Fees	1,988	-	145,436	147,424	344,025
Interest	-	-	93,442	93,442	-
Bad debt	-	386,110	-	386,110	902,822
Telephone	26,989	-	47,713	74,702	67,923
Insurance	89,654	-	67,392	157,046	148,758
Dues and subscriptions	22,436	-	13,052	35,488	28,089
Total general and administrative	141,067	386,110	367,035	894,212	1,491,617
Total expenses	4,974,159	1,308,351	3,837,527	10,120,037	10,466,411
Change in net assets, before income taxes	(4,039,151)	723,715	346,472	(2,968,964)	1,377,856
Other Income (Expense):					
Settlement income	1,039,199	-	621,174	1,660,373	-
Settlement fees	(254,272)	-	(182,294)	(436,566)	-
Total other income (expense)	784,927	-	438,880	1,223,807	-
Income tax benefit (expense)	-	-	43,000	43,000	111,000
Change in net assets	$ (3,254,224)	$ 723,715	$ 828,352	$ (1,702,157)	$ 1,488,856

See Independent Auditors' Report

LSU ALUMNI ASSOCIATION AND SUBSIDIARY
Baton Rouge, Louisiana

MANAGEMENT LETTER

December 31, 2018

Board of Directors
LSU Alumni Association and Subsidiary
Baton Rouge, Louisiana

In planning and performing our audit of the consolidated financial statements of **LSU ALUMNI ASSOCIATION AND SUBSIDIARY** (collectively referred to as the Association) as of and for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Association's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency noted at 2018-2 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency noted at 2018-1 to be a significant deficiency.

This communication is intended solely for the information and use of the Board of Directors, the Association's management, and others within the Association, and is not intended to be, and should not be, used by anyone other than these specified parties.

Faulk & Winkler, LLC

Certified Public Accountants

Baton Rouge, Louisiana
June 24, 2019

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712 N. Burnside Avenue • Gonzales, LA 70737 • (225) 647-6811

2018-1 - Financial Statement Preparation

Observation: The Association's internal financial statements are prepared and reviewed monthly by management and presented at board meetings. At year-end, the Association provides the internal financial statements and relies on the auditors to assist in preparing the financial statements in accordance with U.S. generally accepted accounting principles, which includes additional presentation requirements and note disclosures.

The Association's procedures do not include the preparation of financial statements and related disclosures in conformity with U.S. generally accepted accounting principles. Furthermore, under U.S. generally accepted auditing standards, the auditors cannot be considered part of the Association's internal control structure relative to the preparation of financial statements.

Recommendation: We recommend management explore the resources necessary to prepare year-end financial statements in accordance with generally accepted accounting principles to determine if it would represent responsible stewardship.

Management's Response: Management understands this finding results from professional standards that have been adopted by the accounting profession. Significant factors are as follows:

- The Association generates the appropriate financial information to effectively manage its operations in a timely manner.
- The resources necessary to prepare financial statements in accordance with generally accepted accounting principles would not represent responsible stewardship by our management at this time.

Accordingly, while this finding is necessary for the professional reasons cited above, we do not consider our current situation to be "deficient", and, therefore, conclude that remedying of the "deficiency" does not represent an approach that the Association should adopt at this time.

2018-2 Monitoring and Collection of Outstanding Pledges Receivable

Observation: During the audit of the financial statements, it was noted that significant amount of scholarship pledges did not have any payments during 2018 and that pledges receivable recorded in prior years are not routinely monitored for collection. As a result, it was determined through confirmation with donors and inquiry with management that approximately $121,000 of previously recorded receivables are not considered collectible, requiring a write-off of these pledges. Additionally, the allowance for uncollectible pledges was increased to recognize anticipated losses remaining on scholarship pledges outstanding at year end. In total, scholarship pledges were reduced by approximately $96,000 and alumni fund pledges were reduced by $25,000. Some amounts were written off through the prior year allowance, resulting in net bad debt expense of approximately $45,000.

2018-2 Monitoring and Collection of Outstanding Pledges Receivable (Continued)

Recommendation: We recommend that the Association implement procedures to enhance the collectability of pledges. First, we recommend that the development department engage in ongoing conversations with the pledging donors to collect outstanding pledges in accordance with pledge commitments, specifically pledges related to scholarships.

Second, we recommend that the results of collection efforts be communicated to the finance committee and accounting department on a timely basis so that the financial statements properly reflect collectability of outstanding pledges.

Management's response: Management agrees with the recommendation above and intends to implement procedures to monitor and evaluate outstanding pledges on an ongoing basis.

2018

COOK HOTEL FINANCIAL STATEMENTS

LSU | ALUMNI ASSOCIATION

THE LOD AND CAROLE COOK
CONFERENCE CENTER AND HOTEL, LLC

Baton Rouge, Louisiana

FINANCIAL STATEMENTS

December 31, 2018 and 2017

THE COOK HOTEL

THE LOD AND CAROLE COOK
CONFERENCE CENTER AND HOTEL, LLC
Baton Rouge, Louisiana

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December 31, 2018 and 2017

INDEPENDENT AUDITORS' REPORT

To the Board of Managers
The Lod and Carole Cook Conference Center and Hotel, LLC
Baton Rouge, Louisiana

We have audited the accompanying financial statements of **THE LOD AND CAROLE COOK CONFERENCE CENTER AND HOTEL, LLC** (the Hotel) (a Louisiana limited liability company and wholly owned subsidiary of the LSU Alumni Association) which comprise the balance sheets as of December 31, 2018 and 2017, and the related statements of operations and changes in member's equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and the fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Hotel's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hotel's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **THE LOD AND CAROLE COOK CONFERENCE CENTER AND HOTEL, LLC** as of December 31, 2018 and 2017, and the results of its operations, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Operating Expenses on page 12 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Faulk & Winkler, LLC

Certified Public Accountants

Baton Rouge, Louisiana
June 24, 2019

THE LOD AND CAROLE COOK CONFERENCE CENTER AND HOTEL, LLC

Baton Rouge, Louisiana

BALANCE SHEETS

December 31, 2018 and 2017

	2018	2017
ASSETS		
CURRENT		
Cash	$ 528,010	$ 317,027
Accounts receivable, net	50,503	80,695
Inventory, net	89,909	116,037
Prepaid expenses	117,664	117,094
Total current assets	786,086	630,853
INVESTMENTS	440,752	-
PROPERTY AND EQUIPMENT, net	3,121,855	3,333,895
DEFERRED INCOME TAXES, net	389,000	346,000
Total assets	$ 4,737,693	$ 4,310,748
LIABILITIES AND MEMBER'S EQUITY		
CURRENT		
Accounts payable and accrued expenses	$ 140,755	$ 230,279
Due to Association	1,107,938	254,252
Deferred revenue	183,610	162,032
Current portion of note payable	291,210	284,500
Total current liabilities	1,723,513	931,063
NOTE PAYABLE, less current portion	2,465,971	2,639,828
ACCRUED VACATION PAYABLE	16,330	16,330
Total liabilities	4,205,814	3,587,221
MEMBER'S EQUITY	531,879	723,527
Total liabilities and member's equity	$ 4,737,693	$ 4,310,748

The accompanying notes to financial statements are an integral part of this statement.

THE LOD AND CAROLE COOK CONFERENCE CENTER AND HOTEL, LLC

Baton Rouge, Louisiana

STATEMENTS OF OPERATIONS AND CHANGES IN MEMBER'S EQUITY

For the years ended December 31, 2018 and 2017

	2018	2017
REVENUES		
Rooms	$ 3,075,453	$ 2,736,577
Travel packages	475,222	701,218
Gift shop	300,912	283,117
Food, beverage, and other	159,385	152,728
Catering	173,027	155,642
Total revenues	4,183,999	4,029,282
OPERATING EXPENSES		
Property	3,102,148	2,599,612
Travel packages	539,169	734,239
Gift shop	427,388	430,381
General and administration	788,822	789,347
Total operating expenses	4,857,527	4,553,579
Net loss from operations	(673,528)	(524,297)
OTHER INCOME		
Settlement income	621,174	-
Settlement fees	(182,294)	-
Total other, net	438,880	-
Net loss before income taxes	(234,648)	(524,297)
PROVISION FOR INCOME TAXES		
Deferred tax benefit	43,000	111,000
Net loss	(191,648)	(413,297)
MEMBER'S EQUITY		
Beginning of year	723,527	1,136,824
End of year	$ 531,879	$ 723,527

The accompanying notes to financial statements are an integral part of this statement.

THE LOD AND CAROLE COOK CONFERENCE CENTER AND HOTEL, LLC

Baton Rouge, Louisiana

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (191,648)	$ (413,297)
Adjustments to reconcile change in net assets to net cash provided by the operating activities:		
Depreciation	392,497	184,283
Deferred income tax benefit, net	(43,000)	(111,000)
Change in operating assets and liabilities:		
Net change in operating assets	55,750	(45,167)
Net change in operating liabilities	785,740	(699,944)
Net cash provided (used) by operating activities	999,339	(1,085,125)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(440,752)	-
Acquisition of property and equipment	(180,457)	(1,977,566)
Net cash used for investment activities	(621,209)	(1,977,566)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable	114,567	2,929,451
Payments on note payable	(281,714)	(24,160)
Net cash (used) provided by financing activities	(167,147)	2,905,291
Net increase (decrease) in cash and cash equivalents	210,983	(157,400)
CASH AND CASH EQUIVALENTS		
Beginning of year	317,027	474,427
End of year	$ 528,010	$ 317,027

The accompanying notes to financial statements are an integral part of this statement.

THE LOD AND CAROLE COOK CONFERENCE CENTER AND HOTEL, LLC

Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and operations

The Lod and Carole Cook Conference Center and Hotel, LLC (the Hotel) is a wholly owned subsidiary of the LSU Alumni Association (the Association) and is doing business as The Cook Hotel. The Hotel is organized as a Louisiana limited liability company to operate the for-profit activities of the Association.

The Hotel is located on the Baton Rouge campus of Louisiana State University (the University) and provides overnight lodging, catering, and conference room rentals to the University community and public. Other major operations include travel packages for LSU athletic events, primarily football games away from Baton Rouge.

Basis of presentation

The financial statements of the Hotel have been prepared on the accrual basis of accounting. The significant accounting policies are described below to enhance the usefulness of the financial statements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Estimates are primarily used when accounting for valuation and collection of receivables, inventory, deferred taxes, depreciation, and deferred revenue.

Revenue recognition

Income from exchange transactions may be received in advance of providing the service. These advance payments are reported as deferred revenue. Revenue is recognized when the services are provided to the customer. Revenues from exchange transactions are primarily from sports trips, facility rentals, and merchandise sales.

Cash and cash equivalents

For purposes of the statements of cash flows, the Hotel considers all demand deposits and money market accounts to be cash and cash equivalents. The Hotel considers all highly liquid investments, money market funds and certificates of deposit with a maturity of three months or less at the date of acquisition to be cash equivalents.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts receivable

Accounts receivable are recorded at cost, net of an allowance for doubtful accounts. A general allowance for doubtful accounts is based on management's estimate of the collectability of accounts receivable according to prior experience. Management considers accounts receivable delinquent based on contractual terms. The Hotel does not require collateral for its receivables.

Inventory

Inventory consists of merchandise for resale and is recorded at cost, net of an allowance for obsolescence. The Hotel uses the First-In-First-Out (FIFO) method to account for its inventory.

Investment valuation

The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements*, establishes a framework for measuring fair value which provides a fair value hierarchy that prioritizes the sources of pricing information (inputs) to valuation techniques used to measure fair value. The highest priority is given to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2 – Inputs include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs that are unobservable and significant to the fair value measurement.

Investments shares of mutual funds with readily determinable fair values are recorded at fair value based on quoted market prices.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment

Property and equipment are carried at cost. Additions and improvements that extend the useful lives of assets are capitalized, and maintenance and repair expenditures are expensed as incurred.

Depreciation is provided using the straight-line method over the estimated useful lives of the property and equipment, ranging from three to twenty years.

Income taxes

The Hotel is a limited liability company that is taxed as a C-corporation. The Hotel uses the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income during the period that includes the enactment date.

Deferred revenues

Funds that are received for prepayment of lodging, use of facility space, and deposits for travel and sporting events are recorded as deferred revenues until they are earned.

Fair value of financial instruments

The carrying value of receivables, accounts payable, accrued expenses, and deferred revenue approximate fair value due to the short-term maturity of these instruments. The carrying value of short and long-term debt approximates fair value based on the current rated offered for debt of comparable maturities and collateral requirements. No financial instruments are held for trading purposes.

Advertising

During 2018 and 2017, the Hotel expensed $44,000 and $25,500, respectively, in advertising and promotional costs as incurred.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent events

In preparing these financial statements, the Hotel has evaluated events and transactions for potential recognition or disclosure through June 24, 2019, which was the date the financial statements were available to be issued.

NOTE 2 - ACCOUNTS RECEIVABLE

At December 31, 2018 and 2017, accounts receivable balances were as follows:

	2018	2017
Rooms	$ 8,920	$ 26,075
Catering and event space	40,559	37,520
Magazine and other	30,848	50,008
	80,327	113,603
Less: allowance for uncollectible accounts	(29,824)	(32,908)
Accounts receivable, net	$ 50,503	$ 80,695

Accounts receivable at December 31, 2018 and 2017 outstanding for more than 90 days were $24,128 and $32,908, respectively.

NOTE 3 - INVESTMENTS

Investments, at December 31, 2018, consisted of the following:

	Amount	
	Cost	Market
Money market funds	$ 201,839	$ 201,839
Mutual funds	238,919	238,913
Total	$ 440,758	$ 440,752

At December 31, 2018, the Hotel's investments were classified as Level 1 investments within the fair value hierarchy.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment, and related service lives at December 31, 2018 and 2017, were as follows:

Description	Service Life	2018	2017
Building improvements	5-20 years	$ 1,984,587	$ 1,818,625
Furniture and equipment	5-10 years	4,001,919	3,987,424
Automobile	5 years	21,392	21,392
Software	3 years	79,230	79,230
		6,087,128	5,906,671
Less accumulated depreciation		(2,965,273)	(2,572,776)
Property and equipment, net		$ 3,121,855	$ 3,333,895

Depreciation expense was $392,497 and $184,283 for 2018 and 2017, respectively.

NOTE 5 - NOTE PAYABLE

In 2016, the Hotel entered into a bank loan to fund renovations throughout the Hotel. The loan functioned as a line of credit with a limit of $3,200,000 for contractor costs. The Association has the ability to draw $442,800 on the loan as of December 31, 2018 but does not anticipate any further draws at this time. The outstanding portion of the loan was converted to a note payable collateralized by the property of the Hotel when the Association began making payments on the loan in December 2018. The note requires monthly payments of $31,263 at 3.2% interest matures in November 2027.

Future maturities under note payable as of December 31, 2018, were as follows:

Year ended December 31,	Amount
2019	$ 291,210
2020	300,666
2021	310,430
2022	320,511
2023	330,919
2024-2027	1,203,445
Total	$ 2,757,181

NOTE 6 - PROVISION FOR INCOME TAXES

The provision for income taxes consisted of a deferred income tax benefit of $43,000 and $111,000 for 2018 and 2017, respectively.

The tax effects of temporary differences that give rise to significant portions of the deferred tax asset at December 31, 2018 and 2017 are as follows:

Noncurrent deferred tax asset	2018	2017
Net operating loss carryforward	$ 519,000	$ 407,000
Depreciation	(130,000)	(61,000)
	$ 389,000	$ 346,000

At December 31, 2018, the Hotel had a net operating loss carry-forward of approximately $2,469,000 available through 2021 This amount is reflective of the Hotel's effective tax rate of 21% for 2018. Management anticipates utilizing the net operating loss carryforwards prior to their expiration.

NOTE 7 - RETIREMENT PLAN

The Hotel, through the LSU Alumni Association, has a 401(k)-retirement plan covering substantially all eligible employees. Employees are 100% vested in their contributions, as well as discretionary Hotel matching and profit-sharing contributions. Employees may contribute up to 25% of their compensation limited to $18,500 annually. The Hotel contributed approximately $31,500 and $31,800 during 2018 and 2017, respectively.

NOTE 8 - CONCENTRATION OF CREDIT RISK

The Hotel typically maintains cash and temporary investments in local banks that may, at times, exceed the FDIC limits. Management believes that this risk is limited.

NOTE 9 - RELATED PARTIES

The Hotel has a five-year lease for the hotel property with the Association through February 2023 and incurs a management fee. The payments made to the Association are as follows:

	2018	2017
Rent	$ 840,000	$ 840,000
Management fee	180,000	180,000
Total payments	$ 1,020,000	$ 1,020,000

Hotel revenue of $741,513 and $676,631 for 2018 and 2017, respectively, was received from departments of the University, with related outstanding receivables of $9,326 and $19,557 at each year end.

THE LOD AND CAROLE COOK CONFERENCE CENTER AND HOTEL, LLC

Baton Rouge, Louisiana

SCHEDULE OF OPERATING EXPENSES

For the year ended December 31, 2018
(with summarized comparative totals for 2017)

	Property	Travel Packages	Gift Shop	General and Administration	Total 2018	Total 2017
OPERATING EXPENSES						
Personnel	$ 725,293	$ 26,640	$ 148,467	$ 138,506	$ 1,038,906	$ 1,033,630
Rent to Association	840,000	-	-	-	840,000	840,000
Rooms	473,945	-	-	-	473,945	401,137
Direct travel	3,103	445,695	104	2,265	451,167	677,594
Depreciation	392,497	-	-	-	392,497	184,283
Food, beverage, and other	228,556	48,395	70	3,765	280,786	178,872
Occupancy and supplies	210,056	2,337	2,799	57,968	273,160	259,481
Merchandise sold	-	-	213,642	-	213,642	199,025
Management fee to Association	-	-	-	180,000	180,000	180,000
Professional services	493	1,181	60,039	89,768	151,481	132,082
Repairs and maintenance	118,700	-	-	3,541	122,241	102,252
Interest	-	-	-	93,442	93,442	58,729
Insurance	6,902	-	-	60,490	67,392	57,019
Taxes and licenses	59,496	-	-	4,296	63,792	21,931
Marketing and advertising	33,202	8,108	1,136	1,592	44,038	25,532
Operating leases	671	-	-	19,761	20,432	18,841
Bad debt	-	-	-	-	-	29,824
Other	9,234	6,813	1,131	133,428	150,606	153,347
Total operating expenses	$ 3,102,148	$ 539,169	$ 427,388	$ 788,822	$ 4,857,527	$ 4,553,579

See Independent Auditors' Report.

2018
AGREED UPON PROCEDURES

LSU | ALUMNI ASSOCIATION

LSU ALUMNI ASSOCIATION AND SUBSIDIARY
Baton Rouge, Louisiana

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

December 31, 2018

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors and Management
LSU Alumni Association and Subsidiary
Baton Rouge, Louisiana

We have performed the procedures enumerated below, which were agreed to by the Board of Directors and management of the LSU Alumni Association and Subsidiary (Association) and the Louisiana State University System (University System), (the specified parties), in regards to the Association's compliance with the Affiliation Agreement with the University System for the year ended December 31, 2018. The Association's management is responsible for compliance with the Affiliation Agreement. The sufficiency of these procedures is solely the responsibility of the specified parties. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

With respect to your representations relating to the Affiliation Agreement, as of December 31, 2018, and for the year then ended, we applied the following agreed-upon procedures:

1. The Affiliate is required to maintain a written policy regarding the handling and resolution of audit findings, audit exceptions, and any misuse of funds. We determined whether the policy is in place.

   The Association is in compliance with this requirement.

2. The governing board of the Affiliate has established and implemented policies governing all disbursements for administrative and operating expenses. The policies provide for sound and prudent business practices, the payment or reimbursement of ordinary, necessary and reasonable business expenses, and the avoidance of conflicts-of-interests. We determined whether the enacted policies of the Association comply with the Affiliation Agreement.

   The Association's policy manual includes a written policy concerning reimbursable expenses and conflicts of interest.

3. No supplemental compensation or benefit, as defined by paragraph A.2 of the Addendum, has been paid directly to a University employee without an exception approved by the President of the System (President). We obtained a sample of cash disbursements for 2018 to determine whether such payments were made and, if so, whether proper approval from the President was obtained.

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Based on our procedures performed, there were no instances in which supplemental compensation or benefits were paid directly to a University employee.

4. All payments made to or on behalf of University employees for travel, moving, relocation, entertainment, educational benefits, and other reimbursements have been approved by the employee's dean, vice chancellor, or other equivalent administrative official. We determined, from our sample of disbursements selected, whether such payments were made and comply with the Affiliation Agreement.

   During 2018, the Association disbursed 4 reimbursements to a University employee. Such payments consisted primarily of monthly expense reimbursements that were filed with the Association and were approved by the appropriate authority.

   We selected the 4 disbursements to test for compliance with the terms as described in Steps 5 through 13. The results of our testing are depicted in the various steps below.

5. All payments for moving and relocation expenses of University employees covered by PM 69 have been approved by the President. We reviewed supporting documentation from our sample of disbursements selected for 2018 to determine whether such payments were made and comply with the Affiliations Agreement.

   Based on our supporting documentation for the disbursements selected in Step 4, no disbursements were made to University employees relating to moving or relocation expenses.

6. There have been no payments made for expenses that are solely for the private benefit of a University employee (or the family or spouse of a University employee or other non-employee who is on University business) except for payments for which this prohibition does not apply as indicated in paragraph B.1 of the Addendum. We reviewed supporting documentation from our sample of disbursements selected for 2018 to determine whether such payments were made.

   Based on supporting documentation for the disbursements selected in Step 4, all payments made related to Association business operations.

7. No fines, forfeitures or penalties of University employees have been paid. We reviewed a sample of cash disbursements for 2018 to determine whether such payments were made.

   Based on supporting documentation for the disbursements selected in Step 4, we found no payments made related to fines, forfeitures or penalties for University employees.

8. No gifts represented to be personally from a University employee have been made by the Affiliate nor has any University employee been reimbursed for the purchase of such a gift. We reviewed supporting documentation from our sample of disbursements for 2018 to determine whether such payments were made.

Based on supporting documentation for the disbursements selected in Step 4, we found no payments made related to gifts to be personally from or a reimbursement for University employees.

9. No political contributions which are prohibited by applicable Internal Revenue Service Regulations or state law have been made or reimbursed. We reviewed a sample of cash disbursements for 2018 to determine whether such payments were made. We performed the following steps with respect to this requirement:

    a. We reviewed the vendor listing of the Association to identify potential political contributions,
    b. We reviewed the 2018 general ledger for potential political contributions,
    c. We inquired of Association personnel as to the existence of any political contributions,
    d. We reviewed supporting documentation for a sample of cash disbursements to determine if such amounts related to political contributions.

    Based the steps noted above, no political contributions were identified.

10. No payments have been made for any expense or reimbursement which would create, under all the circumstances, a reasonable conclusion on behalf of the Affiliate that the benefit to the individual University employee outweighs the benefit to the University. In accordance with paragraph B.5 of the Addendum, adequate procedures are in place to address doubtful situations. We reviewed supporting documentation from our sample of disbursements selected for 2018 to determine whether such payments were made and determine that such procedures are in place.

    Based on supporting documentation for the disbursements selected in Step 4, the payments made to University employees related to Association business operations.

11. No payments have been made for any expense or reimbursement which would create, under all the circumstances, a reasonable conclusion on behalf of the Affiliate that the amount is extravagant or lavish beyond the appropriate University purpose. In accordance with paragraph B.6 of the Addendum, adequate procedures are in place to address doubtful situations. We reviewed supporting documentation from our sample of disbursements for 2018 to determine whether such payments were made and determine that such procedures are in place.

    Based on supporting documentation for the disbursements selected in Step 4, we found the payments made to University employees were related to Association business and were not extravagant or lavish beyond the appropriate University purpose.

12. No funds have been disbursed in connection with contracts (or other agreements) between the Affiliate and a University employee unless an exception has been approved by the President. We reviewed supporting documentation from our sample of disbursements selected for 2018 to determine whether such disbursements were made on such contracts or other agreements.

Based on the supporting documentation for the disbursements selected in Step 4, we found that the payments made to University employees were for normal expenses for Association operations. The disbursements made did not relate to any contract or agreement between the Association and the University employee.

13. All other payments to or on behalf of University employees, i.e. payments not specifically addressed above, have been made in accordance with specific approval of the President or written joint amendment or clarification of the Addendum. We reviewed supporting documentation from our sample of disbursements selected for 2018 to determine whether such payments were approved or clarified.

    None of the disbursements selected in Step 4 were subject to this provision.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with the Affiliation Agreement. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors and management of the LSU Alumni Association and Subsidiary and the Louisiana State University System, and is not intended to be, and should not be, used by anyone other than these specified parties.

Faulk & Winkler, LLC

Certified Public Accountants

Baton Rouge, Louisiana
June 24, 2019